



Finance and Administration

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Finance and Administration

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|---|----------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | 458,505,500 | 492,606,700 | 517,993,200 | 469,780,500 | 479,149,000 |
| Special Appropriation | 428,000 | | | | |
| Salary Compensation Fund | 4,212,000 | | | | |
| Base Deduction | -3,533,800 | | | | |
| Total General Fund | 459,611,700 | 492,606,700 | 517,993,200 | 469,780,500 | 479,149,000 |
| Tobacco Settlement-Phase I | | | | | |
| Tobacco Settlement - I | 20,846,200 | 18,017,600 | 18,022,400 | 18,017,700 | 18,022,400 |
| Continuing Appropriation | 2,019,100 | | | | |
| Budget Reduction | -11,900 | | | | |
| Total Tobacco Settlement-Phase I | 22,853,400 | 18,017,600 | 18,022,400 | 18,017,700 | 18,022,400 |
| Restricted Funds | | | | | |
| Balance Forward | 19,600,000 | 16,109,000 | 16,107,200 | 14,060,500 | 11,997,100 |
| Current Receipts | 130,130,600 | 136,174,500 | 137,572,800 | 136,100,900 | 137,330,700 |
| Non-Revenue Receipts | -4,900 | 6,300 | 6,300 | 392,700 | 361,200 |
| Fund Transfers | -4,991,300 | | | | |
| Total Restricted Funds | 144,734,400 | 152,289,800 | 153,686,300 | 150,554,100 | 149,689,000 |
| Federal Funds | | | | | |
| Balance Forward | 17,600 | 1,300 | | 1,300 | |
| Current Receipts | 3,020,700 | 1,861,800 | 1,775,000 | 1,861,800 | 1,775,000 |
| Total Federal Funds | 3,038,300 | 1,863,100 | 1,775,000 | 1,863,100 | 1,775,000 |
| Road Fund | | | | | |
| Regular Appropriation | 4,331,000 | 1,826,000 | 1,826,000 | 1,718,000 | 1,718,000 |
| Total Road Fund | 4,331,000 | 1,826,000 | 1,826,000 | 1,718,000 | 1,718,000 |
| TOTAL SOURCE OF FUNDS | 634,568,800 | 666,603,200 | 693,302,900 | 641,933,400 | 650,353,400 |
| EXPENDITURES BY CLASS | | | | | |
| Personnel Cost | 149,802,800 | 181,217,100 | 191,501,900 | 155,434,500 | 158,038,800 |
| Operating Expenses | 104,397,400 | 102,306,800 | 103,127,700 | 104,755,000 | 106,872,000 |
| Grants, Loans or Benefits | 7,345,000 | 7,845,000 | 7,845,000 | 7,345,000 | 7,345,000 |
| Debt Service | 289,084,800 | 346,499,200 | 364,901,700 | 342,499,300 | 349,302,700 |
| Capital Outlay | 11,819,200 | 11,798,700 | 11,010,600 | 14,036,200 | 13,900,800 |
| Construction | 5,100,000 | 829,200 | 829,200 | 5,866,300 | 5,898,800 |
| TOTAL EXPENDITURES | 567,549,200 | 650,496,000 | 679,216,100 | 629,936,300 | 641,358,100 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | 419,006,300 | 492,606,700 | 517,993,200 | 469,780,500 | 479,149,000 |
| Tobacco Settlement-Phase I | 10,501,000 | 18,017,600 | 18,022,400 | 18,017,700 | 18,022,400 |
| Restricted Funds | 130,673,900 | 136,182,600 | 139,599,500 | 138,557,000 | 140,693,700 |
| Federal Funds | 3,037,000 | 1,863,100 | 1,775,000 | 1,863,100 | 1,775,000 |
| Road Fund | 4,331,000 | 1,826,000 | 1,826,000 | 1,718,000 | 1,718,000 |
| TOTAL EXPENDITURES | 567,549,200 | 650,496,000 | 679,216,100 | 629,936,300 | 641,358,100 |
| EXPENDITURES BY UNIT | | | | | |
| General Administration | 42,483,200 | 44,597,400 | 44,725,900 | 46,387,500 | 46,605,700 |
| Controller | 13,640,600 | 15,613,900 | 16,077,900 | 14,211,300 | 14,223,000 |
| Debt Service | 289,083,300 | 346,497,700 | 338,108,200 | 342,497,800 | 349,301,200 |
| Facilities and Support Services | 38,062,900 | 38,788,100 | 60,392,300 | 37,627,400 | 38,100,600 |
| County Costs | 20,606,500 | 20,631,500 | 20,631,500 | 21,131,500 | 22,431,500 |
| Commonwealth Office of Technology | 60,858,500 | 63,769,400 | 68,795,900 | 62,031,600 | 63,737,400 |
| Revenue | 67,534,900 | 79,414,900 | 87,098,700 | 69,960,500 | 70,870,000 |

| | | | | | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Property Valuation Administrators | 35,279,300 | 41,183,100 | 43,385,700 | 36,088,700 | 36,088,700 |
| TOTAL EXPENDITURES | 567,549,200 | 650,496,000 | 679,216,100 | 629,936,300 | 641,358,100 |

The Finance and Administration Cabinet is responsible for managing the financial resources of the Commonwealth and providing central administrative services to agencies of state and local government. The mission of the Finance and Administration Cabinet is to enable its customers to achieve their missions through leadership assistance in the delivery of quality services, effective administration, and sound financial management. The Cabinet provides leadership, coordination, and support to other state agencies to ensure accountability and integrity in the use of public resources. The Finance and Administration Cabinet constantly strives to conduct government business more effectively. Moreover, among the highest priorities of the Cabinet is providing the nine Cabinets and all other agencies of state government with the resources necessary to carry out their stated missions by equitable and efficient revenue collection.

The Cabinet's duties include construction of state facilities, property management, tax administration and collection, management of the Commonwealth's information technology systems, expenditure control, and state purchasing.

The Department of Revenue is the statutory agency of state government responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of state taxes. In fulfilling this responsibility, the Department seeks to ensure taxpayers' voluntary compliance with the revenue laws and regulations, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws.

The Commonwealth Office of Technology (COT) provides leadership, policy direction, and technical support to all executive branch agencies of state government in the application of information technology and the delivery of information services. This broad statement of responsibility encompasses major information resource functions such as data center operations; voice, data, and video communications; application development; data and security administration; computer and data communications, hardware selection and installation; and related end-user and customer support services. The workload for COT is highly sensitive to agency programmatic shifts, particularly changes mandated by state and federal legislation.

Finance and Administration

General Administration

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|------------------------------------|--------------------|----------------------|----------------------|------------------------|------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | 11,938,200 | 13,928,500 | 14,664,200 | 11,716,100 | 12,064,900 |
| Salary Compensation Fund | 377,500 | | | | |
| Base Deduction | -255,600 | | | | |
| Total General Fund | 12,060,100 | 13,928,500 | 14,664,200 | 11,716,100 | 12,064,900 |
| Restricted Funds | | | | | |
| Balance Forward | 3,554,000 | 2,523,600 | 6,432,900 | 710,100 | 503,800 |
| Current Receipts | 29,890,200 | 33,876,200 | 33,896,200 | 33,876,200 | 33,896,200 |
| Non-Revenue Receipts | -35,200 | 419,000 | 419,000 | 288,900 | 269,400 |
| Fund Transfers | -2,558,800 | | | | |
| Total Restricted Funds | 30,850,200 | 36,818,800 | 40,748,100 | 34,875,200 | 34,669,400 |
| Road Fund | | | | | |
| Regular Appropriation | 283,000 | 283,000 | 283,000 | 300,000 | 300,000 |
| Total Road Fund | 283,000 | 283,000 | 283,000 | 300,000 | 300,000 |
| TOTAL SOURCE OF FUNDS | 43,193,300 | 51,030,300 | 55,695,300 | 46,891,300 | 47,034,300 |
| EXPENDITURES BY CLASS | | | | | |
| Personnel Cost | 11,862,900 | 14,747,400 | 15,704,500 | 12,586,400 | 12,981,700 |
| Operating Expenses | 20,015,800 | 17,550,000 | 17,421,400 | 19,763,600 | 19,633,800 |
| Grants, Loans or Benefits | 2,500,000 | 2,500,000 | 2,500,000 | 2,000,000 | 2,000,000 |
| Capital Outlay | 8,104,500 | 9,800,000 | 9,100,000 | 12,037,500 | 11,990,200 |
| TOTAL EXPENDITURES | 42,483,200 | 44,597,400 | 44,725,900 | 46,387,500 | 46,605,700 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | 12,060,100 | 13,928,500 | 14,664,200 | 11,716,100 | 12,064,900 |
| Restricted Funds | 30,140,100 | 30,385,900 | 29,778,700 | 34,371,400 | 34,240,800 |
| Road Fund | 283,000 | 283,000 | 283,000 | 300,000 | 300,000 |
| TOTAL EXPENDITURES | 42,483,200 | 44,597,400 | 44,725,900 | 46,387,500 | 46,605,700 |
| EXPENDITURES BY UNIT | | | | | |
| Secretary | 4,053,800 | 4,585,000 | 4,637,600 | 3,623,700 | 3,642,700 |
| Gubernatorial Transition | | | 220,000 | | 220,000 |
| Office of General Counsel | 3,793,500 | 4,630,300 | 4,831,200 | 3,976,900 | 4,027,900 |
| Office of Administrative Services | 3,885,100 | 4,553,500 | 4,774,400 | 3,989,800 | 4,051,800 |
| Fleet Management | 26,875,300 | 26,548,100 | 25,960,800 | 30,825,300 | 30,825,300 |
| Occupations and Professions | 726,200 | 1,101,100 | 995,100 | 1,008,600 | 874,300 |
| Postal Services | 3,149,300 | 3,179,400 | 3,306,800 | 2,963,200 | 2,963,700 |
| TOTAL EXPENDITURES | 42,483,200 | 44,597,400 | 44,725,900 | 46,387,500 | 46,605,700 |

The General Administration appropriation unit provides coordination and management of the Cabinet. It is comprised of the Office of the Secretary, Office of Public Information, Office of General Counsel, Office of Equal Employment Opportunity, Contract Compliance, and the Office of Administrative Services; including the divisions of Occupations and Professions and Postal Services.

The Office of the Secretary, which includes the Office of Public Information, develops executive policy and directs the overall management of the Commonwealth's property and financial assets. Office staff coordinates fiscal and personnel

administration for the Cabinet, reviews all internal reorganizations, prepares the Cabinet legislative package, and handles inquiries and issues that arise from the General Assembly, the news media, and the general public. The Secretary of Finance serves on numerous boards and commissions including the Kentucky Economic Development Partnership Board, the Kentucky Economic Development Finance Authority, the Kentucky Infrastructure Authority, the Kentucky Higher Education Assistance Authority, and the Kentucky Housing Corporation.

The Office of Equal Employment Opportunity (EEO) and Contract Compliance is responsible for developing, implementing, and monitoring the Finance and Administration Cabinet's affirmative action plan, as required by KRS 18A.138. The Office also monitors all contracts in excess of \$250,000 awarded by the Cabinet to ensure compliance with the affirmative action provisions of the Kentucky Equal Opportunity Act.

The Office of General Counsel provides legal services to the departments of the Finance and Administration Cabinet and Cabinet-related entities. Members of this office represent the Secretary of the Cabinet in civil litigation. The unit also reviews legislation being considered by the General Assembly.

The Office of Administrative Services manages personnel, fiscal policy, and payroll functions for all units within the Finance and Administration Cabinet, the Governor's Office, the Executive Branch Ethics Commission, the School Facilities Construction Commission, and the Lieutenant Governor's Office. This unit prepares the Cabinet's budget and manages the Cabinet's personal property inventory. The Office has responsibility for the management and oversight of the Division of Occupations and Professions, the Division of Printing, and the Division of Postal Services.

The Division of Occupations and Professions provides administrative services and technical assistance to state licensing boards and commissions. Currently, the Division directly supports the following 20 organizations: Alcohol and Drug Counselors, Art Therapy, Athlete Agents, Dietitians and Nutritionists, Fee-Based Pastoral Counselors, Hearing Instrument Specialists, Interpreters for the Deaf and Hard of Hearing, Marriage and Family Therapists, Massage Therapists, Nursing Home Administrators, Occupational Therapy, Ophthalmic Dispensers, Private Investigators, Professional Counselors, Professional Geologists, Proprietary Education, Psychology, Social Work, Speech-Language Pathology and Audiology, and Veterinary Examiners. The services provided by the Division include personnel, property management, budget management, contracting, complaint management, fee collection, enforcement of statutes and regulations, and other issues identified as important to performing the duties of the agency.

The Division of Printing, established by KRS 42.025, is responsible for the printing and duplicating needs of state agencies as deemed necessary by the Finance and Administration Cabinet. The Division is a full service, self-supporting printing facility that includes inventory selection, pre-press with high resolution output, printing, color copying, large format printing, bindery, finishing, and delivery. Also included are four Quick Copy Centers in convenient locations in the Frankfort/Franklin County area with the ability to receive printing requests via network connections. The Division of Printing provides on-demand printing and shipping of forms used by agencies in their provision of services to reduce warehousing costs. The Division also provides electronic form development and maintains a forms library on a state government web site.

The Division of Postal Services has recently consolidated from five locations into one mail management center which provides a more secure environment of the Commonwealth's mail. The Division provides messenger service to all state agencies and performs mail processing functions for over 125 state agencies. This division advises agencies about USPS rules, regulations, and services.

Policy

Included in the Governor's recommended budget is \$2,000,000 in fiscal year 2006-2007 and \$2,000,000 in fiscal year 2007-2008 from the General Fund for the Affordable Housing Trust Fund.

Executive Order 2005-1254 transferred the state's fleet management program from the Transportation Cabinet to the Finance Cabinet.

Executive Order 2005-562 transferred the Division of Printing from the General Administration appropriation unit to the Commonwealth Office of Technology appropriation unit.

Finance and Administration

Controller

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|------------------------------------|--------------------|----------------------|----------------------|------------------------|------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | 10,832,100 | 12,164,400 | 12,525,600 | 10,954,300 | 10,954,300 |
| Salary Compensation Fund | 216,300 | | | | |
| Base Deduction | -94,100 | | | | |
| Total General Fund | 10,954,300 | 12,164,400 | 12,525,600 | 10,954,300 | 10,954,300 |
| Restricted Funds | | | | | |
| Balance Forward | 2,635,300 | 2,150,300 | 2,154,800 | 950,300 | 672,400 |
| Current Receipts | 1,671,000 | 2,323,700 | 2,328,700 | 1,875,300 | 1,886,800 |
| Non-Revenue Receipts | 30,300 | 130,300 | 130,300 | 103,800 | 91,800 |
| Fund Transfers | -1,200,000 | | | | |
| Total Restricted Funds | 3,136,600 | 4,604,300 | 4,613,800 | 2,929,400 | 2,651,000 |
| Federal Funds | | | | | |
| Balance Forward | 2,900 | | | | |
| Current Receipts | 497,100 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Total Federal Funds | 500,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| TOTAL SOURCE OF FUNDS | 14,590,900 | 17,768,700 | 18,139,400 | 14,883,700 | 14,605,300 |
| EXPENDITURES BY CLASS | | | | | |
| Personnel Cost | 7,140,500 | 8,616,800 | 9,080,800 | 7,214,200 | 7,225,900 |
| Operating Expenses | 5,998,600 | 5,995,600 | 5,995,600 | 5,995,600 | 5,995,600 |
| Grants, Loans or Benefits | 500,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Debt Service | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| TOTAL EXPENDITURES | 13,640,600 | 15,613,900 | 16,077,900 | 14,211,300 | 14,223,000 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | 10,954,300 | 12,164,400 | 12,525,600 | 10,954,300 | 10,954,300 |
| Restricted Funds | 2,186,300 | 2,449,500 | 2,552,300 | 2,257,000 | 2,268,700 |
| Federal Funds | 500,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| TOTAL EXPENDITURES | 13,640,600 | 15,613,900 | 16,077,900 | 14,211,300 | 14,223,000 |
| EXPENDITURES BY UNIT | | | | | |
| Controller | 5,203,600 | 5,585,500 | 5,692,200 | 5,254,000 | 5,280,800 |
| Local Government Services | 1,111,400 | 1,345,400 | 1,410,700 | 1,125,500 | 1,046,100 |
| Rural Empowerment Zone | 500,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Financial Management | 3,502,800 | 3,739,500 | 3,830,300 | 3,573,500 | 3,585,200 |
| Material & Procurement Services | 1,726,800 | 1,978,800 | 2,077,100 | 1,689,800 | 1,716,700 |
| Customer Resource Center | 761,500 | 924,700 | 970,900 | 755,200 | 767,200 |
| Policy and Audit | 834,500 | 1,040,000 | 1,096,700 | 813,300 | 827,000 |
| TOTAL EXPENDITURES | 13,640,600 | 15,613,900 | 16,077,900 | 14,211,300 | 14,223,000 |

The Office of the Controller provides management for financial accounting control policies and procedures; financial accounting systems; debt management; state purchasing; administration of the Old-Age, Survivors, Disability and Hospital Insurance program; and functions relating to the county fee systems for local entities. The State Controller functions as the Commonwealth's Chief Accounting Officer and participates in the development and maintenance of the Commonwealth's strategic financial management program.

The Division of Local Government Services administers, for the benefit of state employees and political subdivisions within the Commonwealth, the Old Age and Survivors Insurance program under Section 218 of the federal Social Security Act. This program is responsible for ensuring that the social security obligations of the state and its political subdivisions are met. To fulfill this responsibility, the State Office for Social Security periodically visits each of the political subdivisions for a procedural, compliance, and fiscal audit pursuant to KRS 61.410 - 61.500. The Division also provides personnel, accounting, and other administrative services to counties through the County Costs, County Fees, and PVA programs.

The Division of Statewide Accounting Services is responsible for maintenance and operation of the central statewide accounting system and provides centralized accounting of all receipts and disbursements of the Commonwealth. In addition, this division prepares daily, monthly, and annual financial reports, which constitute a complete report of the financial activities and condition of the Commonwealth.

The Office of Financial Management manages the state's investments and debt. This includes managing cash flow to maximize the return on state investments, making debt service payments, managing the sale of bonds, and reporting to the General Assembly on all investment and debt matters. The Office is responsible for developing a long-term debt plan for the Commonwealth, including the development of criteria for the issuance of debt, providing an evaluation of how much total state debt is justified, and evaluating revenue projections relative to proposed revenue bond issues. The Office handles all investments on behalf of the General Fund, the Capital Construction Fund, the Transportation Fund, and approximately 50 other accounts.

The Office of Material and Procurement Services is responsible for the central purchasing and materials management for state government (excluding construction and road maintenance). The Office supports the Procurement Desktop software module of MARS, designing and testing modifications to the software to ensure it meets the needs of using agencies. The Procurement Services Branch and the Procurement of Technology Services Branch are responsible, with respect to their area of expertise, for purchasing all commodities and non-professional services for state agencies that exceed an agency's small purchase authority limit. The Government Contract Review Branch provides administrative oversight and review of all personal service contracts and Memoranda of Agreement, and ensures compliance with the provisions of KRS Chapter 45A prior to forwarding contracts to the Legislative Research Commission, Government Contract Review Committee, for approval.

The Office of the Customer Resource Center (CRC) operates a help desk to support nearly 5,000 users of the MARS system and is responsible for training Commonwealth employees on all MARS products. In addition, CRC is responsible for developing and analyzing reports to identify areas that need improvement.

The Office of Policy and Audit is responsible for assuring the reliability and integrity of information used to support management decision making, evaluating how state assets are safeguarded, providing risk and insurance management to the Cabinet, and appraising the economy and efficiency of resource use. Staff also ascertains whether the operations and programs are being implemented as planned, and performs special studies at the request of management.

Policy

Notwithstanding KRS 61.470(4), no money is appropriated for the Social Security Contingent Liability Fund established by KRS 61.470(4). Any expenditures that may be required by KRS 61.470(4) are hereby deemed a necessary governmental expense and shall be paid from the General Fund Surplus Account (KRS 48.700) if available or from any available balance in either the Judgments budget unit appropriation or the Budget Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures provided in the Appropriations Act.

Finance and Administration

Debt Service

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|---|--------------------|----------------------|----------------------|------------------------|------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | 316,417,800 | 328,655,100 | 320,260,800 | 324,655,100 | 331,453,800 |
| Special Appropriation | 428,000 | | | | |
| Total General Fund | 316,845,800 | 328,655,100 | 320,260,800 | 324,655,100 | 331,453,800 |
| Tobacco Settlement-Phase I | | | | | |
| Tobacco Settlement - I | 20,671,200 | 17,842,600 | 17,847,400 | 17,842,700 | 17,847,400 |
| Continuing Appropriation | 2,019,100 | | | | |
| Total Tobacco Settlement-Phase I | 22,690,300 | 17,842,600 | 17,847,400 | 17,842,700 | 17,847,400 |
| Road Fund | | | | | |
| Regular Appropriation | 2,505,000 | | | | |
| Total Road Fund | 2,505,000 | | | | |
| TOTAL SOURCE OF FUNDS | 342,041,100 | 346,497,700 | 338,108,200 | 342,497,800 | 349,301,200 |
| EXPENDITURES BY CLASS | | | | | |
| Debt Service | 289,083,300 | 346,497,700 | 338,108,200 | 342,497,800 | 349,301,200 |
| TOTAL EXPENDITURES | 289,083,300 | 346,497,700 | 338,108,200 | 342,497,800 | 349,301,200 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | 276,240,400 | 328,655,100 | 320,260,800 | 324,655,100 | 331,453,800 |
| Tobacco Settlement-Phase I | 10,337,900 | 17,842,600 | 17,847,400 | 17,842,700 | 17,847,400 |
| Road Fund | 2,505,000 | | | | |
| TOTAL EXPENDITURES | 289,083,300 | 346,497,700 | 338,108,200 | 342,497,800 | 349,301,200 |

Previously authorized State Property and Buildings Commission General Fund debt service for all agencies is consolidated in the Finance and Administration Cabinet. All new 2006-2008 State Property and Buildings Commission General Fund debt service (except that which directly affects the Finance and Administration Cabinet's programs) is reflected in budgets of the affected agencies.

The Governor's recommended budget includes General Fund debt service totaling \$15,193,000 in fiscal year 2007-2008 to support new Finance and Administration Cabinet capital projects.

**Finance and Administration
Facilities and Support Services**

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|---|----------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | 7,242,600 | 8,978,900 | 28,640,400 | 7,518,200 | 7,526,800 |
| Salary Compensation Fund | 622,200 | | | | |
| Total General Fund | 7,864,800 | 8,978,900 | 28,640,400 | 7,518,200 | 7,526,800 |
| Restricted Funds | | | | | |
| Balance Forward | 3,683,700 | 3,163,700 | 2,388,700 | 2,015,100 | 940,100 |
| Current Receipts | 28,762,000 | 29,034,200 | 30,407,500 | 29,034,200 | 30,407,500 |
| Fund Transfers | -232,500 | | | | |
| Total Restricted Funds | 32,213,200 | 32,197,900 | 32,796,200 | 31,049,300 | 31,347,600 |
| TOTAL SOURCE OF FUNDS | 40,078,000 | 41,176,800 | 61,436,600 | 38,567,500 | 38,874,400 |
| EXPENDITURES BY CLASS | | | | | |
| Personnel Cost | 19,824,900 | 22,243,600 | 23,644,600 | 20,045,800 | 20,532,300 |
| Operating Expenses | 16,029,000 | 15,614,700 | 16,568,900 | 15,614,700 | 16,568,900 |
| Debt Service | | | 19,249,000 | | |
| Capital Outlay | 509,000 | 466,900 | 466,900 | 466,900 | 466,900 |
| Construction | 1,700,000 | 462,900 | 462,900 | 1,500,000 | 532,500 |
| TOTAL EXPENDITURES | 38,062,900 | 38,788,100 | 60,392,300 | 37,627,400 | 38,100,600 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | 7,864,800 | 8,978,900 | 28,640,400 | 7,518,200 | 7,526,800 |
| Restricted Funds | 30,198,100 | 29,809,200 | 31,751,900 | 30,109,200 | 30,573,800 |
| TOTAL EXPENDITURES | 38,062,900 | 38,788,100 | 60,392,300 | 37,627,400 | 38,100,600 |
| EXPENDITURES BY UNIT | | | | | |
| Commissioner's Office | 355,400 | 382,200 | 19,648,200 | 346,600 | 348,900 |
| Engineering and Contract Administration | 4,681,500 | 5,436,300 | 5,701,800 | 4,856,500 | 4,856,500 |
| Real Property | 1,135,100 | 1,343,400 | 1,416,500 | 1,135,100 | 1,143,700 |
| Historic Properties | 514,900 | 547,200 | 561,900 | 516,900 | 521,600 |
| Building and Mechanical Services | 30,420,000 | 30,040,500 | 31,984,200 | 29,797,900 | 30,240,700 |
| State Surplus Property | 439,700 | 469,900 | 486,600 | 456,800 | 462,800 |
| Federal Surplus Property | 516,300 | 568,600 | 593,100 | 517,600 | 526,400 |
| TOTAL EXPENDITURES | 38,062,900 | 38,788,100 | 60,392,300 | 37,627,400 | 38,100,600 |

The Department for Facilities and Support Services consists of the Commissioner's Office and five offices/divisions: Engineering and Contract Administration; Historic Properties; Real Properties; Surplus Properties; and the Office of Building and Mechanical Services. The Department manages the State's facilities construction program, maintains Finance and Administration Cabinet buildings, provides management and oversight of state-owned historical buildings and sites, and provides real property acquisition, disposition, leasing, and inventory services.

The Commissioner's Office coordinates and supervises the activities of the five offices/divisions authorized in KRS 42.027.

The Division of Engineering and Contract Administration provides professional and technical engineering and architectural services to state agencies, reviews capital construction design documents, acts as a liaison between the Department and state agencies on new construction and major maintenance projects, and monitors construction and maintenance contracts for compliance with plans and specifications. Responsible for administering the procurement process for construction projects of the Commonwealth of Kentucky, excluding roads and bridges. Procurement procedures and practices are prescribed by the Kentucky Model

Procurement Code, KRS 45A, and the related administrative regulations. The Division prepares invitations to bid, opens and evaluates those bids, and awards contracts. The General Contracting Branch provides general construction procurement, administers the advertising and awarding of state general construction projects and related support systems, provides procurement information to state agencies, and administers procurement programs for new building construction, renovation, and mechanical, electrical, and HVAC systems. The Specialized Contracting Branch administers the advertising and awarding of state specialized construction projects and related support systems, provides procurement information to state agencies, administers programs such as reclamation under the Abandoned Mines Lands program, the procurement of state-owned telephone switching systems, asbestos abatement projects, and master agreements for maintenance of elevators, escalators, and similar services. The Administrative Services Branch and the Pre-Audit Branch provide support services to the Division and Department.

The Division of Real Properties provides buildings and parking facilities for state agencies throughout the Commonwealth. The Leased Properties Branch is responsible for administering space requests for leased property, acquisitions of privately-owned leased property for state use, lease renewals and cancellations, modifications to leased property, and related activities. The State Properties Branch administers space assignments for state-owned real property, acquisitions and sales of real properties, leases of state-owned real property to other entities, easements on state-owned real property, appraisals and appraisal reviews for acquisitions and dispositions, authorization of demolition of state-owned buildings, and relocation assistance. The Inventory and Property Utilization Branch plans space utilization including minor building alterations and renovations and interior space standards and administers inventory of state-owned real property, inventory of state-owned leased-out real property, inventory of state leased-in real property, building use permits, reserved parking assignments in Frankfort, and deed and easement records of state-owned real property.

The Division of Historic Properties, in accordance with KRS 42.019 and KRS 11.026, is responsible for the preservation and maintenance of Finance and Administration Cabinet-owned historic sites including the Kentucky State Capitol, Executive Mansion, Old Governor's Mansion, Berry Hill Mansion, and the Vest-Lindsey State Meeting House. The Division consults with the Department of Parks to preserve and maintain those historic sites under the management and control of the Tourism Development Cabinet. The same consultation services are provided to other agencies within state government as requested. The Director of the Division of Historic Properties serves as State Curator and a member of the Historic Properties Advisory Commission. The Commission is statutorily responsible for overseeing the maintenance, restoration, preservation, and care of furnishings and grounds of the Executive Mansion, Old Governor's Mansion, and State Capitol grounds. Historic Properties staff is responsible for scheduling and coordinating events held in the public areas of the Capitol Building and grounds. Staff have established and implemented policies and guidelines for the use of this space to allow public access while preserving and protecting the historic and architectural integrity of the buildings and grounds.

The Office of Building and Mechanical Services, which includes the Division of Building Services and the Division of Mechanical Services, as authorized by KRS 42.027, provides services for all Finance and Administration Cabinet-operated buildings and for the state agencies occupying those facilities.

In Frankfort, the Office is responsible for several buildings including the Capitol, New Capitol Annex, Old Capitol, Old Capitol Annex, Capital Plaza Complex, Human Resources Building, Executive Mansion, Old Governor's Mansion, New State Office Building, Library and Archives Building, Central Lab Facility, the Kentucky History Center and the new Transportation Cabinet building. The Office also service buildings at the London Regional and Madisonville state office complexes as well as the Spindletop Research Complex in Fayette County and offices in Ashland, Jackson, Louisville, Owensboro, and Richmond that were formerly owned and operated by Cabinet for Health and Family Services. Services provided include minor renovations; maintaining parking lots, sidewalks and ramps; janitorial and landscaping services; maintaining the heating, ventilating, and air conditioning systems; maintaining special equipment within the buildings as requested; roof repair; fire alarm and security systems; electrical systems; energy conservation; maintaining elevators and escalators; maintaining emergency power systems; and after-hours emergency services.

Additionally, the Office is responsible for developing plans and specifications for a wide variety of construction projects. After plans and specifications are complete and have been approved, the Office oversees the construction phase and provides contract administration.

Policy

The Governor's recommended budget assumes no increase in the rate charges for rent and utilities so they will remain at the fiscal year 2006 level throughout the biennium. The actual receipts reflected will be higher due to the increased square footage under management.

The Governor's recommended budget assumes the Commissioner's Office will be supported with Restricted Funds (3700) in the fiscal 2006-2008 biennium.

Finance and Administration

County Costs

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|------------------------------------|--------------------|----------------------|----------------------|------------------------|------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | 18,681,500 | 18,681,500 | 18,681,500 | 19,181,500 | 20,481,500 |
| Total General Fund | 18,681,500 | 18,681,500 | 18,681,500 | 19,181,500 | 20,481,500 |
| Restricted Funds | | | | | |
| Balance Forward | 204,000 | 156,000 | 83,000 | 156,000 | 83,000 |
| Current Receipts | 1,877,000 | 1,877,000 | 1,877,000 | 1,877,000 | 1,877,000 |
| Total Restricted Funds | 2,081,000 | 2,033,000 | 1,960,000 | 2,033,000 | 1,960,000 |
| TOTAL SOURCE OF FUNDS | 20,762,500 | 20,714,500 | 20,641,500 | 21,214,500 | 22,441,500 |
| EXPENDITURES BY CLASS | | | | | |
| Personnel Cost | 1,650,000 | 1,675,000 | 1,675,000 | 1,675,000 | 1,675,000 |
| Operating Expenses | 14,631,500 | 14,631,500 | 14,631,500 | 15,131,500 | 16,431,500 |
| Grants, Loans or Benefits | 4,325,000 | 4,325,000 | 4,325,000 | 4,325,000 | 4,325,000 |
| TOTAL EXPENDITURES | 20,606,500 | 20,631,500 | 20,631,500 | 21,131,500 | 22,431,500 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | 18,681,500 | 18,681,500 | 18,681,500 | 19,181,500 | 20,481,500 |
| Restricted Funds | 1,925,000 | 1,950,000 | 1,950,000 | 1,950,000 | 1,950,000 |
| TOTAL EXPENDITURES | 20,606,500 | 20,631,500 | 20,631,500 | 21,131,500 | 22,431,500 |
| EXPENDITURES BY UNIT | | | | | |
| Public Defender Program | 1,600,000 | 1,625,000 | 1,625,000 | 1,625,000 | 1,625,000 |
| Witnesses | 160,000 | 160,000 | 160,000 | 160,000 | 160,000 |
| DUI Service Fees | 1,425,000 | 1,425,000 | 1,425,000 | 1,425,000 | 1,425,000 |
| Sheriffs Fees' | 8,834,000 | 8,834,000 | 8,834,000 | 9,334,000 | 10,634,000 |
| County Clerks (Make Tax Bills) | 320,000 | 320,000 | 320,000 | 320,000 | 320,000 |
| Board Of Assessment Appeals | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| Fugitive From Justice | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Jury Fund | 3,600,000 | 3,600,000 | 3,600,000 | 3,600,000 | 3,600,000 |
| Sheriffs Expense Allowance | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Premium On Sheriffs' Bonds | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Access to Justice | 2,900,000 | 2,900,000 | 2,900,000 | 2,900,000 | 2,900,000 |
| TOTAL EXPENDITURES | 20,606,500 | 20,631,500 | 20,631,500 | 21,131,500 | 22,431,500 |

The County Cost program pays local officials for the performance of functions required by state statutes. For example, a sheriff is paid by the state for services rendered to the state for enforcing state laws. This falls within the Criminal Prosecutions program. A witness in a state court trial is paid by the state for performing a function required by state statute. This is an example of the Miscellaneous Fee program. Payments under the County Costs program are statutorily mandated and are regarded as a necessary governmental expense.

Under KRS 27A.630, as amended by House Bill 163 in the 2003 session of the General Assembly, filing fees for civil actions include \$20 in Circuit Court and \$10 in District Court to support access to justice by indigent clients. The fees are paid to the General Fund, and the Finance and Administration Cabinet distributes them monthly to non-profit agencies designated by the Chief Justice in each judicial district to provide the legal services.

KRS 31.185 requires the fiscal court or legislative body of an urban county government, containing less than ten circuit judges, to annually appropriate twelve and one-half (\$0.125) cents per capita, of the population of the county as determined by the

Council of Local Governments' most recent population statistics, to a special account to be administered by the Finance and Administration Cabinet. The funds, which shall not lapse, shall be used to pay all court orders (KRS 31.185) that have been entered into as a result of a needy defendant's motion for funding assistance. If the funds are depleted in any given year, any unpaid court orders will be paid as a judgment against the Commonwealth.

Policy

Funds required to pay county costs are appropriated and additional funds may be allotted from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705) by the Secretary of the Finance and Administration Cabinet as a necessary governmental expense, subject to the conditions and procedures provided in the Appropriations Act.

The Governor's recommended budget includes additional General Funds in the amount of \$500,000 in fiscal year 2006-2007 and \$1,800,000 in fiscal year 2007-2008 to pay expected increases in claims from the county sheriff's. These claims will be for increased court security costs associated with the new or upgraded courthouses that are expected to be completed in the upcoming biennium. These courthouse projects were authorized by previous sessions of the General Assembly.

**Finance and Administration
Commonwealth Office of Technology**

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|--|----------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | | | 3,143,000 | | |
| Total General Fund | | | 3,143,000 | | |
| Restricted Funds | | | | | |
| Balance Forward | 4,911,700 | 4,373,000 | 3,173,100 | 7,429,400 | 7,950,700 |
| Current Receipts | 60,714,200 | 62,124,400 | 62,124,400 | 61,689,800 | 61,514,800 |
| Non-Revenue Receipts | | -543,000 | -543,000 | | |
| Total Restricted Funds | 65,625,900 | 65,954,400 | 64,754,500 | 69,119,200 | 69,465,500 |
| Federal Funds | | | | | |
| Balance Forward | 14,700 | 1,300 | | 1,300 | |
| Current Receipts | 2,523,600 | 861,800 | 775,000 | 861,800 | 775,000 |
| Total Federal Funds | 2,538,300 | 863,100 | 775,000 | 863,100 | 775,000 |
| Road Fund | | | | | |
| Regular Appropriation | 125,000 | 125,000 | 125,000 | | |
| Total Road Fund | 125,000 | 125,000 | 125,000 | | |
| TOTAL SOURCE OF FUNDS | 68,289,200 | 66,942,500 | 68,797,500 | 69,982,300 | 70,240,500 |
| EXPENDITURES BY CLASS | | | | | |
| Personnel Cost | 31,112,600 | 38,464,600 | 40,430,200 | 32,867,700 | 33,658,300 |
| Operating Expenses | 23,120,200 | 23,386,700 | 23,392,700 | 23,245,800 | 23,249,100 |
| Grants, Loans or Benefits | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Debt Service | | | 3,143,000 | | |
| Capital Outlay | 3,205,700 | 1,531,800 | 1,443,700 | 1,531,800 | 1,443,700 |
| Construction | 3,400,000 | 366,300 | 366,300 | 4,366,300 | 5,366,300 |
| TOTAL EXPENDITURES | 60,858,500 | 63,769,400 | 68,795,900 | 62,031,600 | 63,737,400 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | | | 3,143,000 | | |
| Restricted Funds | 58,196,500 | 62,781,300 | 64,752,900 | 61,168,500 | 62,962,400 |
| Federal Funds | 2,537,000 | 863,100 | 775,000 | 863,100 | 775,000 |
| Road Fund | 125,000 | 125,000 | 125,000 | | |
| TOTAL EXPENDITURES | 60,858,500 | 63,769,400 | 68,795,900 | 62,031,600 | 63,737,400 |
| EXPENDITURES BY UNIT | | | | | |
| Commonwealth Office of Technology | 4,897,100 | 3,376,100 | 6,471,400 | 3,170,600 | 3,098,900 |
| Application Development | 11,883,600 | 13,293,200 | 13,947,500 | 13,615,200 | 13,883,600 |
| Infrastructure Services | 41,932,100 | 44,511,000 | 45,678,800 | 43,212,500 | 44,682,000 |
| Enterprise Policy and Project Management | 2,145,700 | 2,589,100 | 2,698,200 | 2,033,300 | 2,072,900 |
| TOTAL EXPENDITURES | 60,858,500 | 63,769,400 | 68,795,900 | 62,031,600 | 63,737,400 |

The Commonwealth Office of Technology (COT) provides leadership, policy direction, and technical support to all executive branch agencies in the application of information technology and the delivery of information services. This broad statement of responsibility encompasses major information resource functions such as data center operations; voice, data, and video

communications; application development; data and security administration; computer hardware selection and installation; and related end-user and customer support services. The workload for COT is highly sensitive to agency programmatic shifts, particularly changes mandated by state and federal legislation.

The Commonwealth Office of Technology provides support for major management systems throughout state government.

- Automated Management and Administrative Reporting System (MARS)
- Kentucky Vehicle Registration and Information System (KVIS and AVIS)
- Department of Revenue's tax systems
- Driver's license system
- Uniform Payroll and Personnel System (UPPS)
- Kentucky State Police systems
- Education technology system
- Kentucky's Electronic Workplace for Employment Services (KEWES)

COT consists of four units for budgetary purposes: the Office of the Commissioner, Application Development, Infrastructure Services, and Enterprise Policy and Project Management.

The Commissioner is responsible for developing strategies and policies to promote the effective application of information technology within state government as a means of saving money, increasing efficiency and employee productivity, and improving services to the public, including electronic access to information of the Commonwealth.

The Office of Application Development analyzes, designs, develops and installs systems and applications for client agencies throughout state government. Support is provided for systems that drive mission-critical activities for the Commonwealth, including public assistance, public health and safety, collection of taxes, and financial and personnel management of state government. The Office provides consulting services and support in a broad range of technical environments including Windows NT, 2000, and XP; UNIX; and Z/OS using languages such as Java, VB, .NET, COBOL, SAS, and others.

The Office of Infrastructure Services operates the Commonwealth's enterprise computing and communications environment. This Office includes the daily operation of the Commonwealth Data Center, operation and maintenance of the Kentucky Information Highway, and all communication services, including data, voice, video and wireless. Other responsibilities include providing help desk assistance to end-users and ensuring the security of client information in the areas of electronic commerce and network computing. The Division of Printing provides agencies with hard copy access to information, especially for high volume, color, and wide-format documents, as well as print project planning, consulting and electronic forms design.

The Office of Enterprise Policy and Project Management is responsible for the statewide strategic information technology (IT) plan. Staff in this office assist state agencies in developing their own IT plans that conform with the policies and architecture standards determined by COT. Other responsibilities include enterprise capacity planning, testing, research and development.

The Kentucky Geospatial Board is attached to the Commonwealth Office of Technology for administrative purposes. The Board is charged with advising the Commissioner on issues relating to geographic information and geographic information systems (GIS). The Board recommends policies and procedures that assist state and local jurisdictions in developing, deploying, and leveraging geographic information resources and GIS technology for the purpose of improving public services.

The Commonwealth Office of Technology operates as an internal service fund agency with budgetary support derived through the application of a federally-approved cost allocation plan, which distributes costs to user agencies based upon utilization of services.

Policy

On June 16, 2005, Executive Order 2005-562 made significant changes in the structure and mission of the Commonwealth Office of Technology. The Telehealth Board was transferred from COT to the Cabinet for Health and Family Services. The Commercial Mobile Radio Service (CMRS) Board and the Office of 911 Coordinator were transferred to the Office of Homeland Security. The Division of Printing was transferred from the Office of Administrative Services in the Finance and Administration Cabinet to the Office of Infrastructure Services. The Geographic Information Advisory Council was abolished and the Kentucky Geospatial Board was created with all of the functions and powers of the Council.

The Executive Order directed COT to review the IT infrastructure for each executive branch agency and to consolidate operational control under COT when it is in the best interests of the Commonwealth to do so. Since the effective date of the

Executive Order, COT has entered into agreements with the Commerce Cabinet and the Governor's Office for Local Development (GOLD) to assume responsibility for providing all IT, communications, and printing services. Eleven personnel positions from Commerce and two from GOLD were transferred to COT. Consolidation of IT infrastructure functions from other Cabinets in COT will continue through the remainder of fiscal year 2006. It is the intent of COT for application development and programming functions to remain in the agencies that have them. The Office of Application Development will provide development services to agencies that request them, billing for those services at a competitive hourly rate.

During the summer of 2005, the Commonwealth Office of Technology conducted a detailed cost study of its various services and the rates at which those services are billed to agencies. The rate schedule was then realigned to more accurately reflect actual cost. Agencies were provided with estimates of their computer services and telephone costs for the next biennium based on 2005 usage patterns applied to the new rates. By consolidating infrastructure services and purchases of equipment and software licenses, COT expects to be able to provide most basic services for a lower rate than in previous years.

Finance and Administration

Revenue

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|---|--------------------|----------------------|----------------------|------------------------|------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | 62,860,700 | 72,525,200 | 80,202,000 | 63,986,000 | 64,898,400 |
| Salary Compensation Fund | 1,759,300 | | | | |
| Base Deduction | -3,184,100 | | | | |
| Total General Fund | 61,435,900 | 72,525,200 | 80,202,000 | 63,986,000 | 64,898,400 |
| Tobacco Settlement-Phase I | | | | | |
| Tobacco Settlement - I | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 |
| Budget Reduction | -11,900 | | | | |
| Total Tobacco Settlement-Phase I | 163,100 | 175,000 | 175,000 | 175,000 | 175,000 |
| Restricted Funds | | | | | |
| Balance Forward | 2,962,500 | 2,103,600 | 1,055,300 | 1,160,800 | 1,027,700 |
| Current Receipts | 3,716,200 | 4,248,400 | 4,248,400 | 4,248,400 | 4,248,400 |
| Fund Transfers | -1,000,000 | | | | |
| Total Restricted Funds | 5,678,700 | 6,352,000 | 5,303,700 | 5,409,200 | 5,276,100 |
| Road Fund | | | | | |
| Regular Appropriation | 1,418,000 | 1,418,000 | 1,418,000 | 1,418,000 | 1,418,000 |
| Total Road Fund | 1,418,000 | 1,418,000 | 1,418,000 | 1,418,000 | 1,418,000 |
| TOTAL SOURCE OF FUNDS | 68,695,700 | 80,470,200 | 87,098,700 | 70,988,200 | 71,767,500 |
| EXPENDITURES BY CLASS | | | | | |
| Personnel Cost | 43,364,600 | 54,718,700 | 58,013,200 | 45,388,700 | 46,308,900 |
| Operating Expenses | 24,170,300 | 24,696,200 | 24,685,500 | 24,571,800 | 24,561,100 |
| Debt Service | | | 4,400,000 | | |
| TOTAL EXPENDITURES | 67,534,900 | 79,414,900 | 87,098,700 | 69,960,500 | 70,870,000 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | 61,435,900 | 72,525,200 | 80,202,000 | 63,986,000 | 64,898,400 |
| Tobacco Settlement-Phase I | 163,100 | 175,000 | 175,000 | 175,000 | 175,000 |
| Restricted Funds | 4,517,900 | 5,296,700 | 5,303,700 | 4,381,500 | 4,378,600 |
| Road Fund | 1,418,000 | 1,418,000 | 1,418,000 | 1,418,000 | 1,418,000 |
| TOTAL EXPENDITURES | 67,534,900 | 79,414,900 | 87,098,700 | 69,960,500 | 70,870,000 |
| EXPENDITURES BY UNIT | | | | | |
| Commissioner's Office | 22,690,400 | 23,330,700 | 28,059,800 | 22,678,000 | 22,704,300 |
| Property Valuation | 5,347,400 | 6,520,700 | 6,864,800 | 5,497,700 | 5,595,100 |
| Field Operations | 11,678,600 | 14,112,900 | 14,876,700 | 12,019,400 | 12,240,500 |
| Income Taxation | 5,110,700 | 6,792,500 | 7,182,800 | 5,650,900 | 5,767,100 |
| Sales and Excise Taxes | 5,263,400 | 6,380,300 | 6,651,100 | 5,395,500 | 5,473,000 |
| Processing and Enforcement | 17,444,400 | 22,277,800 | 23,463,500 | 18,719,000 | 19,090,000 |
| TOTAL EXPENDITURES | 67,534,900 | 79,414,900 | 87,098,700 | 69,960,500 | 70,870,000 |

The Department of Revenue is responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of 47 separate state taxes. The Department aims to ensure the taxpayer's voluntary compliance

with the revenue laws, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws.

The Commissioner's Office includes the Division of Legislative Services, the Division of Special Investigations, and the Office of the Taxpayer Ombudsman. Department-wide costs such as office rent, printing, postage, and information technology are budgeted in this unit.

The Office of Property Valuation monitors and evaluates the real property assessments produced by the 120 locally-elected Property Valuation Administrators (PVA). The division is charged with assessing the property of public service companies; collecting and distributing personal property taxes; and providing education, training, and technical support to the PVA's and sheriffs.

The Office of Field Operations has 10 regional taxpayer service centers located across the state and is responsible for field audits and providing taxpayer assistance.

The Office of Income Taxation administers individual and business income taxes, including employer withholding. The Office is responsible for technical tax research, compliance, taxpayer assistance, tax-specific training, and publications.

The Office of Sales and Excise Taxes administers sales and use taxes and miscellaneous excise taxes. The Office conducts technical tax research and is responsible for compliance, taxpayer assistance, training and publications.

The Office of Processing and Enforcement receives all tax receipts, returns, refunds, documents and correspondence; registers new businesses; and maintains appropriate storage, retrieval and management of tax records for the Commonwealth.

The 2005 General Assembly enacted HB 272, a comprehensive effort to modernize Kentucky's tax structure. Dozens of separate taxes, incentives, deductions, and credits were enacted, repealed or amended. Passage of the bill drastically increased the workload for the Department of Revenue. Nearly every computer system within the Department must be modified to give effect to the changes. New returns, schedules, instructions, administrative regulations and training materials for both tax practitioners and Department employees are required. Fortunately the provisions of the bill have staggered effective dates, allowing the Department to work with the Commonwealth Office of Technology to make the necessary program changes.

An additional system change took effect July 1, 2005 as a result of HB 163, enacted by the 2004 General Assembly. The bill required the Department of Revenue to begin collecting the utility gross receipts tax levied by the local school districts under KRS 160.613. The Department receives payments from utilities, including providers of cable television service, and distributes the funds to the school districts on a monthly basis. The Department is permitted to retain up to 1% of the receipts, not to exceed the actual cost of collections.

Policy

On October 16, 2005, by order of the Secretary, employees throughout the Finance and Administration Cabinet switched from a standard workweek of 37.5 hours to a 40-hour week.

Finance and Administration
Property Valuation Administrators

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|------------------------------------|----------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | 30,532,600 | 37,673,100 | 39,875,700 | 31,769,300 | 31,769,300 |
| Salary Compensation Fund | 1,236,700 | | | | |
| Total General Fund | 31,769,300 | 37,673,100 | 39,875,700 | 31,769,300 | 31,769,300 |
| Restricted Funds | | | | | |
| Balance Forward | 1,648,800 | 1,638,800 | 819,400 | 1,638,800 | 819,400 |
| Current Receipts | 3,500,000 | 2,690,600 | 2,690,600 | 3,500,000 | 3,500,000 |
| Total Restricted Funds | 5,148,800 | 4,329,400 | 3,510,000 | 5,138,800 | 4,319,400 |
| TOTAL SOURCE OF FUNDS | 36,918,100 | 42,002,500 | 43,385,700 | 36,908,100 | 36,088,700 |
| EXPENDITURES BY CLASS | | | | | |
| Personnel Cost | 34,847,300 | 40,751,000 | 42,953,600 | 35,656,700 | 35,656,700 |
| Operating Expenses | 432,000 | 432,100 | 432,100 | 432,000 | 432,000 |
| TOTAL EXPENDITURES | 35,279,300 | 41,183,100 | 43,385,700 | 36,088,700 | 36,088,700 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | 31,769,300 | 37,673,100 | 39,875,700 | 31,769,300 | 31,769,300 |
| Restricted Funds | 3,510,000 | 3,510,000 | 3,510,000 | 4,319,400 | 4,319,400 |
| TOTAL EXPENDITURES | 35,279,300 | 41,183,100 | 43,385,700 | 36,088,700 | 36,088,700 |

Each of the state's 120 counties has a locally elected Property Valuation Administrator (PVA). The PVA and an appointed staff are responsible for locating, identifying, and assessing at fair market value all taxable real property (land and improvements), and tangible personal property in the county. Tax revenues generated by these assessments are used to fund services provided by the state, cities, counties, and school districts as well as special taxing districts such as fire departments, libraries, extension offices, and refuse disposal. Funding from the state, county, and city governments support the local Property Valuation Administrators' offices.

Policy

Notwithstanding KRS 132.590(3)(c), KRS 132.590(4), and KRS 132.597, Property Valuation Administrators may take necessary actions to manage expenditures within the budgeted amounts.